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**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING
Whether there has been a violation
of the Securities Act of Washington by:

ARNOLD ENERGY ENTERPRISES, INC.
NORTHWEST TATUM DRILLING PROSPECT
NO. 1-A JAMESON, LTD.
MORTON S. KAPLAN
IAN "ALAN" WEISS,

Respondents.

SDO – 32(A) – 00

SUMMARY ORDER TO CEASE AND DESIST

Case No. 99-09-287

THE STATE OF WASHINGTON TO: ARNOLD ENERGY ENTERPRISES, INC.
 NORTHWEST TATUM DRILLING PROSPECT NO. 1-A
 JAMESON, LTD.
 MORTON S. KAPLAN
 IAN "ALAN" WEISS

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondents, Arnold Energy Enterprises, Inc., Northwest Tatum Drilling Prospect No. 1-A Jameson, Ltd., Morton S. Kaplan, and Ian "Alan" Weiss, have each violated the Securities Act of Washington and that their violations justify the entry of an order of the Securities Administrator under RCW 21.20.390 to cease and desist from such violations. The Securities Administrator finds that delay in ordering the Respondents to cease and desist from such violations would be hazardous to the investors and to the public and that a Summary Order to Cease and Desist should be entered immediately. The Securities Administrator finds as follows:

SUMMARY ORDER TO CEASE AND
DESIST

1 Northwest Tatum, Arnold Energy, Kaplan and Weiss represent that they are offering 100 “units” of the
2 limited partnership s at \$25,000 per unit for a total offering of \$2,500,000, but investors could purchase
3 fractionalized interests. Northwest Tatum, Arnold Energy, Kaplan and Weiss represent that investors will
4 collectively receive 90% of the working interest (65% of the net revenues) in the well and the associated oil and
5 gas leases.

6 FIRST OFFER

7 During September 1999, a Washington resident who does not have any investment or other experience in
8 the oil and gas business received an unsolicited telephone call from Kaplan on behalf of Arnold Energy and
9 Northwest Tatum. Kaplan did not have any prior existing relationship with the Washington resident.

10 Northwest Tatum, Arnold Energy and Kaplan offered the Washington resident an investment in a
11 “Northwest Tatum Drilling Prospect No. 1-A Jameson” well to be drilled by Arnold Energy. Kaplan said that
12 Billy Arnold, Sr. was the geologist and driller for Arnold Energy. Kaplan said that Billy Arnold, Sr. had a great
13 success record in finding oil as he has hit oil 60 of 70 times.

14 On or about September 1, 1999, Northwest Tatum, Arnold Energy and Kaplan caused the Washington
15 resident to be sent offering materials, including a participation agreement, via United States Postal Service
16 Priority Mail. Kaplan subsequently contacted the Washington resident on several occasions soliciting an
17 investment with Arnold Energy. Northwest Tatum, Arnold Energy and Kaplan represented that Arnold Energy
18 would be drilling other oil and gas wells and that investors would be able to roll their investments over into
19 other Arnold Energy drilling projects.

20 During October 1999, Weiss, on behalf of Northwest Tatum and Arnold Energy, began contacting the
21 Washington resident regularly soliciting the Washington resident to invest with Arnold Energy. Weiss
22 represented that he was a licensed stockbroker in Florida, that he was licensed to trade commodities, that he
23 was a licensed bond trader. Weiss represented that Billy Arnold was very successful and that investors will
24 receive a good return on their investment. For example, Weiss represented that in connection with the well

1 they will be drilling, investors could receive \$1,700 per month for the first three months and \$5,100 quarterly
2 thereafter from a \$25,000 investment. Weiss represented that drilling will be completely finished in two or
3 three weeks. In addition, Arnold Energy and Weiss represent that this is the first of eight wells Arnold Energy
4 is going to drill and that investors will have first right of refusal to invest in these future wells.

5 SECOND OFFER

6 On or about October 5, 1999, Weiss, on behalf of Northwest Tatum and Arnold Energy, contacted another
7 Washington resident on the telephone offering for sale an investment in Arnold Energy. The Washington
8 resident did not have a pre-existing relationship with Weiss, was not an accredited investor, and did not have
9 any experience in investing or in the oil and gas business.

10 Weiss represented that Arnold Energy is a company founded by Billy Arnold, Sr. seventeen years ago.
11 Weiss also represented that Billy Arnold has a great success record for hitting oil and investors would receive a
12 good return on their investment. Weiss also represented that the investment was safe because it is government
13 approved. On or about October 6, 1999, the Washington resident received offering materials, including a
14 participation agreement from Arnold Energy via Federal Express.

15 **III.**

16 **MISREPRESENTATIONS AND OMISSIONS**

17 In connection with the offer of the investments described in paragraph II of these Tentative Findings of
18 Fact, Northwest Tatum, Arnold Energy, Kaplan, and Weiss failed to (1) provide financial statements for Arnold
19 Energy; (2) disclose the use of investor proceeds; (2) disclose that the Pennsylvania Securities Commission
20 entered a Summary Order to Cease and Desist against Arnold Energy and Kaplan on or about March 1, 1999
21 for offering unregistered fractional undivided interests in an Arnold Energy drilling project, and (3) disclose
22 that Arnold Energy and Morton Kaplan, among others, entered into a "Consent Agreement" with the Office of
23 the Secretary of State Securities Division for the State of Indiana on or about August 24, 1999 in which Arnold
24 Energy and Morton Kaplan neither admitted to or denied violations of the registration and anti-fraud provisions

1 of the Indiana Securities Act as alleged, but were censured and Arnold Energy agreed to pay a civil penalty of
2 \$5,000. In its original Cease and Desist Order, the Office of the Secretary of State Securities Division for the
3 State of Indiana alleged that, among others, Arnold Energy, William Arnold Sr., and Morton Kaplan violated
4 the Indiana Securities Act by offering and/or selling unregistered securities, by offering and/or selling securities
5 as an unregistered broker-dealer and/or agent, and by violating the anti-fraud provisions of the Indiana
6 Securities Act.

7 In connection with the offer of the investments described in paragraph II of these Tentative Findings of
8 Fact, Northwest Tatum, Arnold Energy and Weiss failed to disclose to Washington residents that the Secretary
9 of State Securities Department for the State of Illinois entered a Temporary Order of Prohibition against Arnold
10 Energy on or about September 14, 1999, for offering fractional undivided interests in an oil lease that were not
11 registered or exempt from registration.

12 In connection with the offer of the investments described in paragraph II of these Tentative Findings of
13 Fact, Weiss represented that he is a licensed "stockbroker" in Florida. However, there is no record of that Ian
14 "Alan" Weiss has ever been so licensed.

15 IV.

16 REGISTRATION STATUS OF RESPONDENTS

17 Northwest Tatum is not currently registered to sell its securities in the state of Washington and has not
18 previously been so registered.

19 Kaplan, Weiss, and Arnold Energy are not currently registered as a securities salesperson or broker-dealer
20 in the state of Washington and have not previously been so registered.

21 V.

22 EMERGENCY

23 The Securities Administrator finds that the continued offering of the limited partnership interests and
24 working interests by Northwest Tatum, Arnold Energy, Kaplan, and Weiss in the manner described in

1 paragraphs I through IV of the Tentative Finding of Fact presents a clear and present danger to the investing
2 public because Respondents have been offering Washington residents and oil and gas investments during
3 September, October, and November 1999 through unsolicited telephone calls to Washington residents even
4 though three other states previously issued cease and desist orders against, among others, Arnold Energy and
5 Kaplan for offering and/or selling unregistered securities, for offering and/or selling securities as an
6 unregistered broker-dealer and/or agent, and for violating anti-fraud provisions of the securities laws. In
7 addition, Weiss, among others, has been criminally charged with wire fraud committed in connection with the
8 matters set forth herein.

9 Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:

10
11 **CONCLUSIONS OF LAW**

12 **I.**

13 **SECURITIES**

14 The offer of the investments described in the Tentative Findings of Fact above constitutes the offer of a
15 security as defined in RCW 21.20.005(10) and (12), to wit: a certificate of interest or participation in an oil and
16 gas title or lease and in payments out of production under such title or lease, or an investment contract.

17 **II.**

18 **UNREGISTERED NON-EXEMPT SECURITIES**

19 Northwest Tatum, Arnold Energy, Kaplan, and Weiss have each violated RCW 21.20.140 because no
20 registration for such offer was on file with the Administrator of Securities of the State of Washington.

21 **III.**

22 **UNREGISTERED SECURITIES SALESPERSONS AND BROKER-DEALER**

23 Arnold Energy, Kaplan and Weiss have each violated RCW 21.20.040 by offering said securities while not
24 registered as a securities salesperson or broker-dealer in the State of Washington.

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IV.

ANTI-FRAUD VIOLATIONS

The offer of said securities was made in violation of RCW 21.20.010 because, as described in paragraphs I through IV of the Tentative Findings of Fact, Northwest Tatum, Arnold Energy, Kaplan, and Weiss each made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

V.

EMERGENCY

The Securities Administrator concludes that an emergency exists, that the continued violations of RCW 21.20.140, RCW 21.20.040, and RCW 21.20.010, constitutes a clear and present danger to the investing public, and that summary orders to cease and desist from those violations are in the public interest and necessary for the protection of the investing public.

SUMMARY

Based on the foregoing, NOW, THEREFORE,

IT IS HEREBY SUMMARILY ORDERED That Northwest Tatum Drilling Prospect No. 1-A Jameson, Ltd., Arnold Energy Enterprises, Inc., Morton S. Kaplan, Ian "Alan" Weiss, and their agents, employees, and representatives shall each cease and desist from offering and/or selling securities in any manner in violation of RCW 21.20.140, the section of the Securities Act of Washington requiring registration.

IT IS FURTHER SUMMARILY ORDERED That Northwest Tatum Drilling Prospect No. 1-A Jameson, Ltd., Arnold Energy Enterprises, Inc., Morton S. Kaplan, Alan Weiss, and their agents, employees, and representatives shall each cease and desist from violation of RCW 21.20.040, the section of the Securities Act requiring registration of securities salespersons and broker-dealers.

IT IS FURTHER SUMMARILY ORDERED That Northwest Tatum Drilling Prospect No. 1-A Jameson, Ltd., Arnold Energy Enterprises, Inc., Morton S. Kaplan, Ian "Alan" Weiss, and their agents, employees, and

SUMMARY ORDER TO CEASE AND
DESIST

1 representatives shall each cease and desist from violation of RCW 21.20.010, the anti-fraud section of the
2 Securities Act.

3 **AUTHORITY AND PROCEDURE**

4 This Order is entered pursuant to the provisions of RCW 21.20.390 and is subject to the provisions of
5 Chapter 34.05 RCW. The Respondents, Northwest Tatum Drilling Prospect No. 1-A Jameson, Ltd., Arnold
6 Energy Enterprises, Inc., Morton S. Kaplan, and Ian "Alan" Weiss, may each make a written request for a
7 hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR
8 HEARING accompanying this order. If a Respondent does not request a hearing, the Securities Administrator
9 intends to adopt the above Tentative Findings of Fact and Conclusions of Law as final and make the Summary
10 Order to Cease and Desist permanent as to that Respondent.

11 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

12 DATED this _____ day of March, 2000.

13
14 _____
15 DEBORAH R. BORTNER
16 Securities Administrator

17 Approved by:

17 Presented by:

18
19 _____
20 Michael E. Stevenson
21 Chief of Enforcement

19 _____
20 Marlo DeLange
21 Securities Examiner

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25 SUMMARY ORDER TO CEASE AND
26 DESIST